



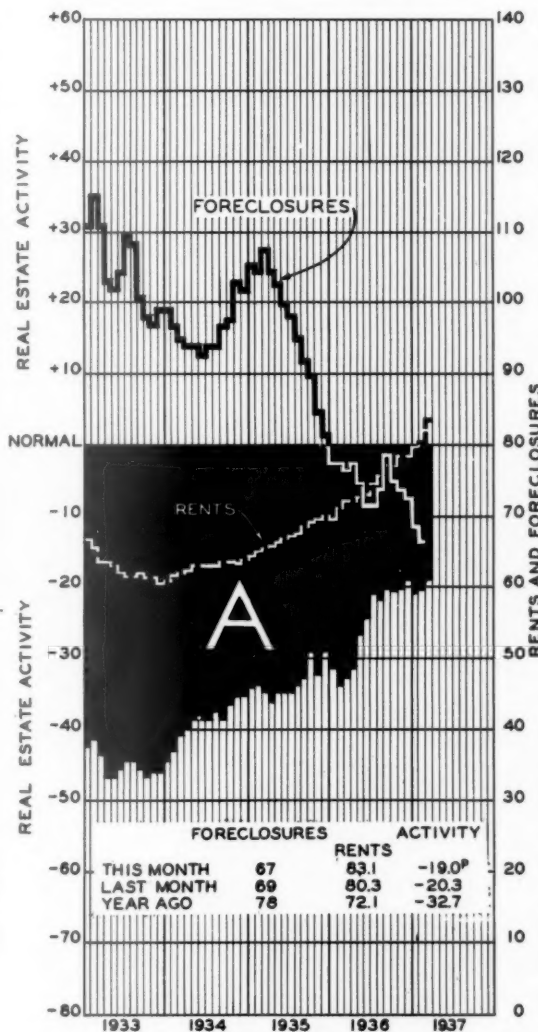
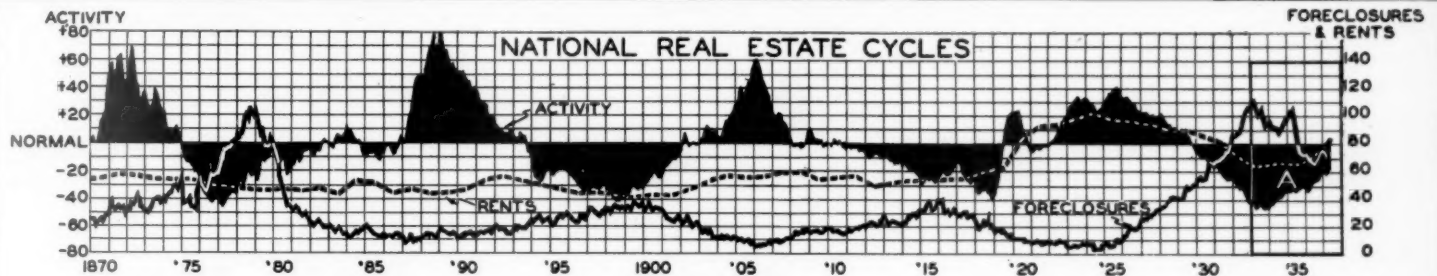
The Real Estate ANALYST

APRIL
1937

Roy Wenzlick
Editor

A concise easily digested monthly analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

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Real Estate Economists, Appraisers and Counselors



THE chart above shows the fluctuations of urban real estate activity, foreclosures, and rents in the United States from 1870 to the present. The chart to the left is the last four years of the upper chart enlarged to show monthly fluctuations. This chart is explained in detail in the article starting on page 632 in the November issue.

Residential rents for April show the largest increase they have experienced during the recovery period. Further rapid increases in residential rents are inevitable during the next few years as there is no possibility that new construction, either public or private, can get under way in sufficient volume fast enough to relieve the shortage of space which is developing in practically all cities of the United States.

Real estate activity shown by the black areas on the long chart above and the enlarged section to the left, measured by the number of voluntary transfers of real estate in relation to the number of families, advanced to a level which equaled the recovery high of four months ago. As these figures are corrected for seasonal influences, the actual volume is increasing at a rate which is much faster than would normally be experienced at this time of year.

The national index of urban foreclosures continued to drop, reaching a point 41.4% below the peak of 1933, and 37.7% below the peak of 1935. Foreclosures will continue to drop, with only minor reactions from time to time.

ARE WE DECENTRALIZING?

DURING every great depression there is a movement from the cities to the farms; and at the time it is always believed, as we have verified from consulting the newspaper files of the time, that this movement represents a permanent reversal of the trend from the farms to the cities. As each of these great depressions of the past has mitigated, the trend has turned back to the cities. This same phenomenon has occurred in the depression through which we have just come. From a net movement at the beginning of the last boom of 1,137,000 to the cities from the farms, in 1932 we had a net movement of 266,000 to the farms from the cities. In 1935 the surge was again back to the cities, with a net movement of 386,000. The 1936 figures are not available, but will clearly show a heavy increase in comparison with the 1935 total.

In this study, however, we are primarily interested in whether the larger metropolitan areas have the same growth prospects as have smaller cities removed from these areas, as in the last analysis real estate values in both types of areas will be affected by these trends. In an effort to arrive at some conclusions on whether large metropolitan areas are decentralizing to non-metropolitan cities and towns, we have studied the building permit figures in the 1,565 incorporated areas in the United States where these figures are now available. We have based this study, not on the number of permits nor on the dollar amount to be expended but, upon the number of families which this residential construction would accommodate. There are several advantages in confining these figures to new family accommodations rather than to dollar totals, the most important of these being that changes in construction costs alone do not affect the figures. It becomes a very complicated problem to try to adjust dollar figures for construction into figures which will show the quantity of construction in a period when construction costs are changing rapidly. It is also our experience that the dollar figures used for permit purposes are quite inaccurate. In some communities permits are charged for on the basis of the value of the building to be built. In many of these cities, values for permit purposes are constantly underestimated, both to reduce the permit fee and also to prevent collusion between the building commissioner and the tax assessor. On the other hand, some speculative buildings are built with permits which exaggerate the cost in an effort to substantiate value for resale purposes. There is no reason for biasing the number of new family accommodations provided for by these permits, and we believe that these permit figures are reasonably accurate and complete.

There is a slight error in these figures, of course, in the fact that some permits are issued and not used and that, in other cases, the permit is used after a lapse of some time. Special studies, however, by the United States Bureau of Labor Statistics, in which comparisons were made in certain cities between permits issued and buildings actually constructed, showed that these errors were comparatively slight.

If the figures from all cities where building permit data is available are classified according to the size of the city and then averages are computed showing the number of new family accommodations per month per 10,000 families, we are immediately struck with the fact that building is progressing faster in smaller cities than it is in the larger communities. This is shown quite strikingly by the charts on pages 712 to 713 in this report. It will be noticed on these charts that building in

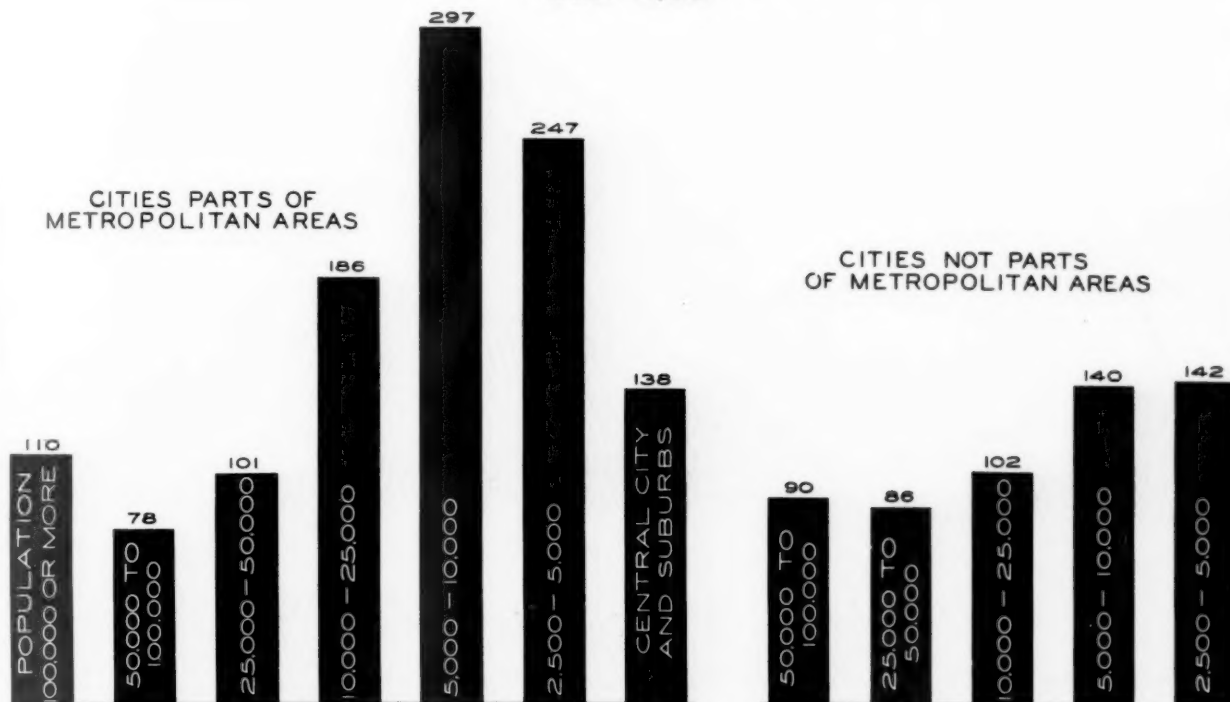
cities of 2,500 to 5,000 people has been twice as active as it has been in cities of 100,000 to 500,000; and in cities of from 5,000 to 10,000 people more building has been done than in any of the other groups. On first glance, this might offer proof of the fact that we are decentralizing in the United States, that our larger cities have ceased to grow at a rapid rate and that now the smaller towns and communities are coming into their own.

It has been the thought of the present Administration in Washington that decentralization of this type was advantageous and should be encouraged. Manufacturers have been urged to decentralize their manufacturing activities in an effort to solve the many problems of congestion in our larger cities.

A closer scrutiny of these figures, however, brings totally dissimilar results. If we study the building figures from each town and city individually, we are immediately struck with the fact that the towns and cities in which building is most active are those towns and cities which form contiguous suburbs of our larger, older cities. It is true that the greatest amount of building has taken place in relation to families in cities of from 5,000 to 10,000 population, but if these cities are separated into cities which form integral parts of large metropolitan areas and cities which do not form parts of metropolitan areas, it is found that a wide difference exists in the amount of building being done in the two groups. For 1936, in cities of from 5,000 to 10,000 population which formed parts of metropolitan areas, 297 new family accommodations were built for each 10,000 families, while in the same size cities apart from metropolitan

NUMBER OF NEW FAMILY ACCOMMODATIONS BUILT IN 1936 PER 10,000 FAMILIES

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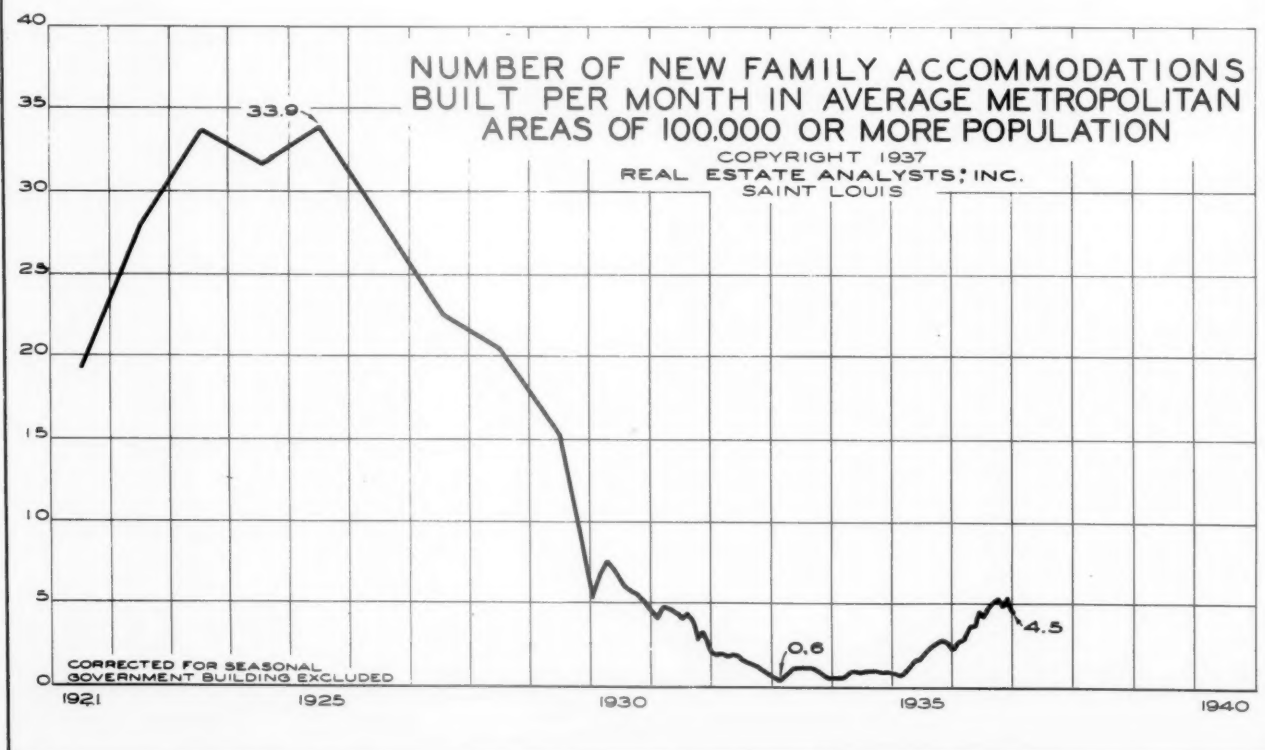
areas, only 140 new family accommodations were built per 10,000 families. In other words, new building in relation to families was proceeding at twice the rate in the suburbs of our larger cities than it was in the towns of the same size removed from metropolitan influence.

We find that this same situation exists for all cities we have studied. If we are going to get the true picture, therefore, it is necessary to take the building figures not only within the city limits of the central city but for the entire integrated area; and it is necessary to combine the contiguous suburbs of each city with the city itself if an accurate analysis of new building trends is to be made.

This we have done for all of the principal metropolitan areas of the United States; and we find that in place of the figure of 110 new family accommodations produced last year per 10,000 families in cities of more than 100,000 population, the figure in the metropolitan areas which include these cities should be 138, an increase of 25.5%. The bar charts on page 709 show a comparison of the amount of residential building done last year in cities of various sizes when these cities are segregated into those which form parts of metropolitan areas and those which are isolated from metropolitan influence. It will be noticed that in cities of less than 50,000 population, new building took place at a lower rate in those cities which do not form a part of larger metropolitan areas than in those which do.

Now let us summarize our conclusions: First, it is quite clear that cities of more than 100,000 population did not build new family accommodations within their city limits at as rapid a rate in relation to their population as did the majority of smaller cities; Second, it is also quite clear that, if the suburbs of the cities having more than 100,000 population are considered with the central cities, then these metropolitan

(continued on page 716)



THE STRIKE SITUATION AND REAL ESTATE

Many of our clients have been worried about the effect on real estate of the epidemic of labor troubles now sweeping the country.

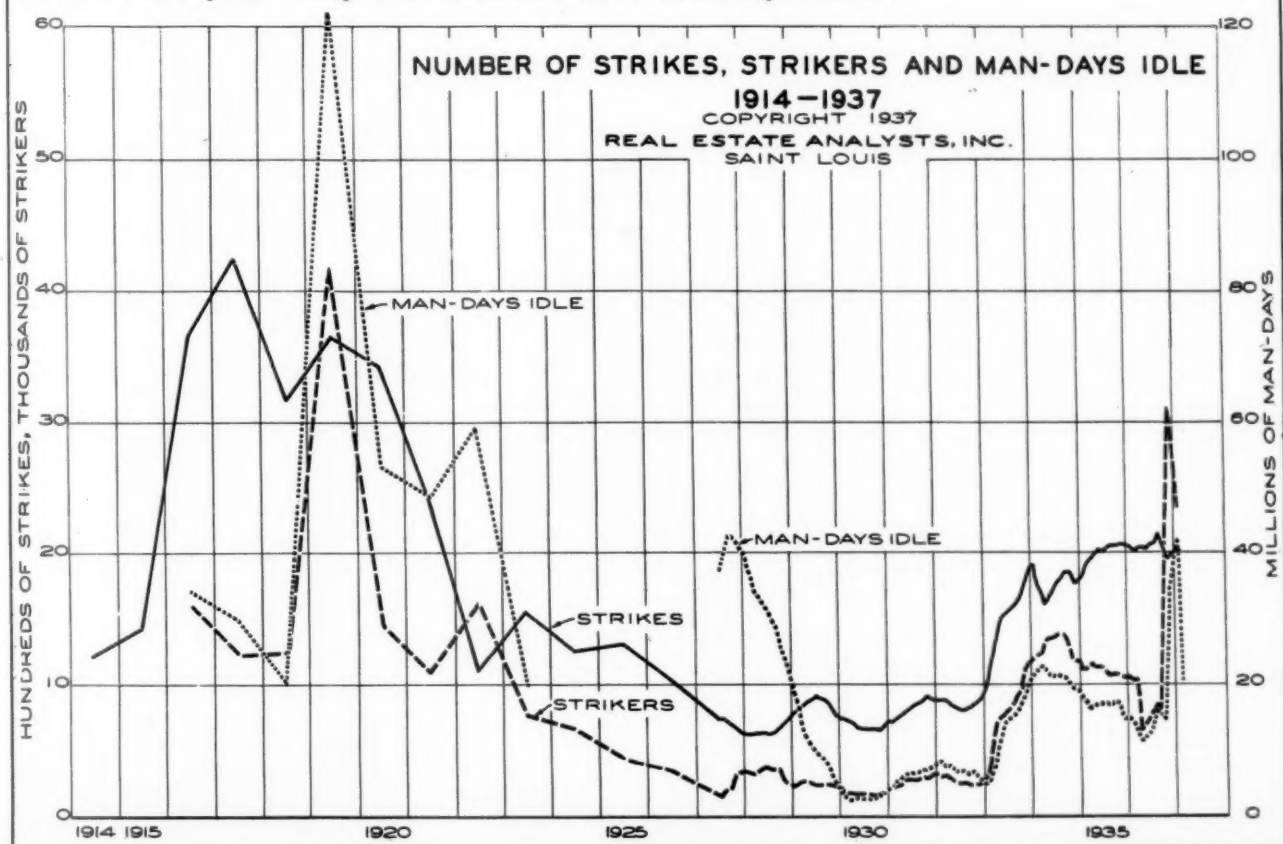
There can be no question of the fact that a man on strike makes a poor paying tenant, or a man whose purchasing power has been depleted by prolonged unemployment is a poor prospect for the purchase of real estate.

On the other hand, every period of increasing business activity and of higher prices has been accompanied by a similar labor situation. At the bottom of the page we have charted from 1914 to the present the number of strikes, the number of strikers and the number of man days idle. It will be noticed that during the period following the war labor trouble was common and that the number of strikes, strikers and the man days idle exceeded the present levels.

We are inclined to believe that labor troubles will continue in the United States and will probably reach higher peaks than those yet attained in this recovery, after which strikes will decrease in number.

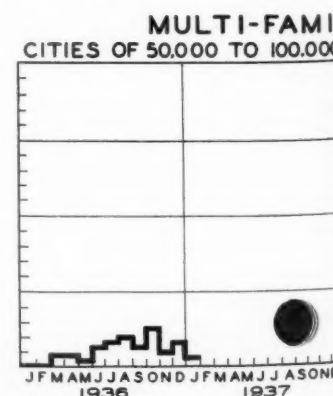
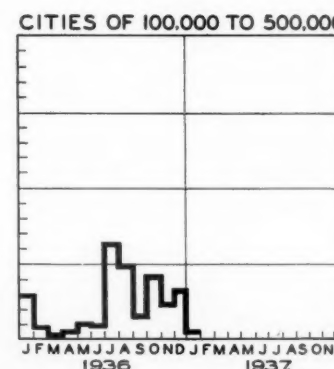
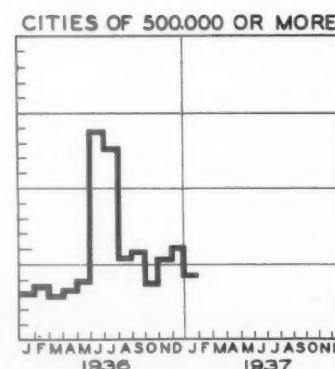
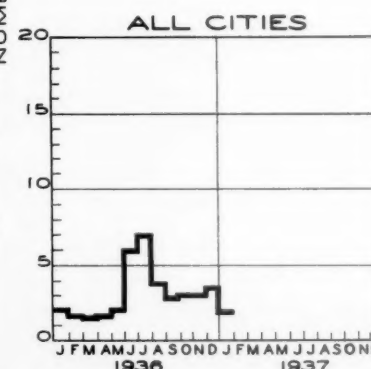
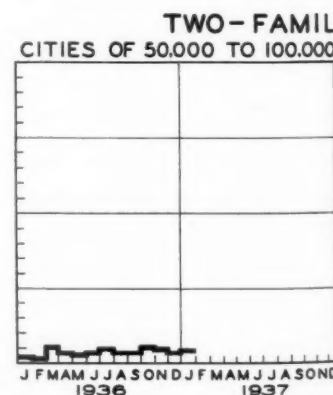
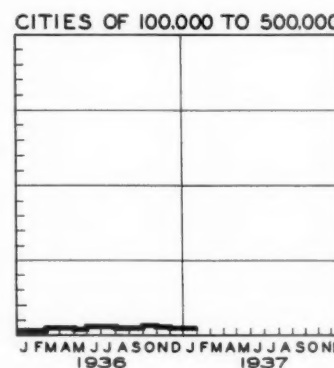
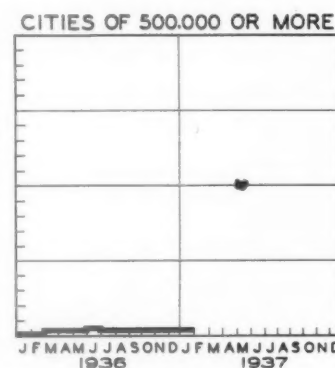
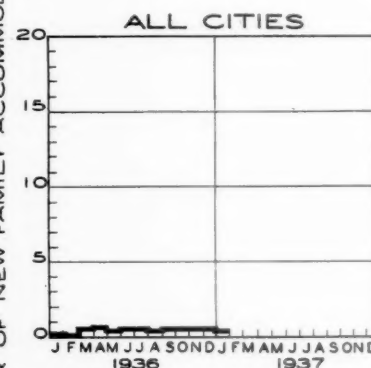
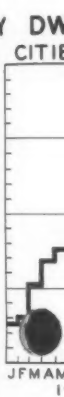
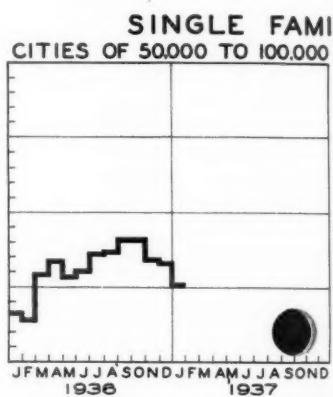
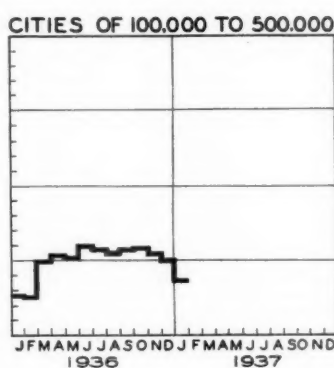
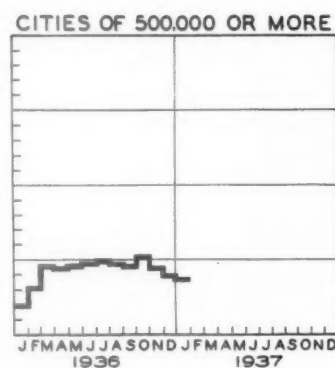
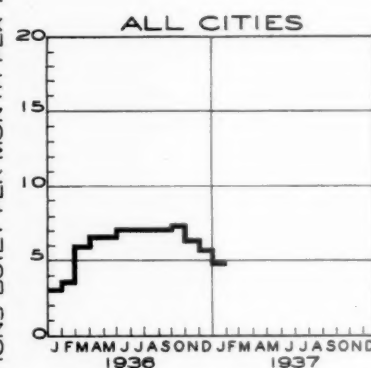
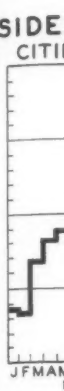
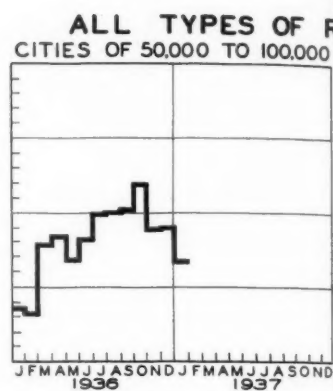
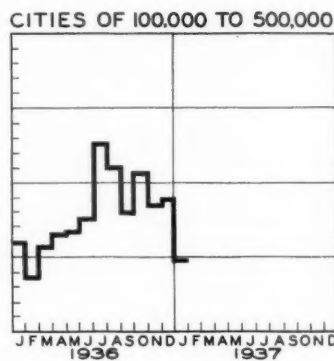
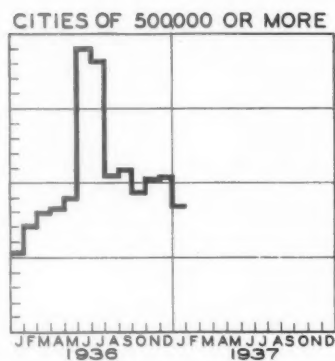
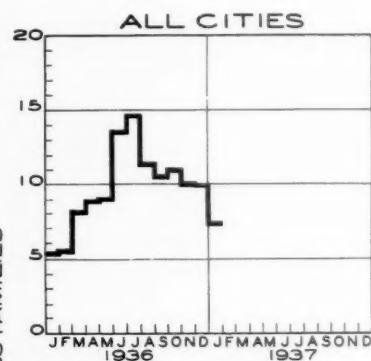
It is quite significant that, if real estate activity is compared with labor disturbances, real estate booms in the past have not gotten well under way until the crest of the strikes has passed. We are inclined to think that the present recovery will follow a similar pattern. This forms another one of our reasons for believing that we will not reach the peak of the real estate boom until probably six or seven years from now.

Prior to 1927 the data on this chart are on an annual basis. After that year they are charted on a monthly basis.



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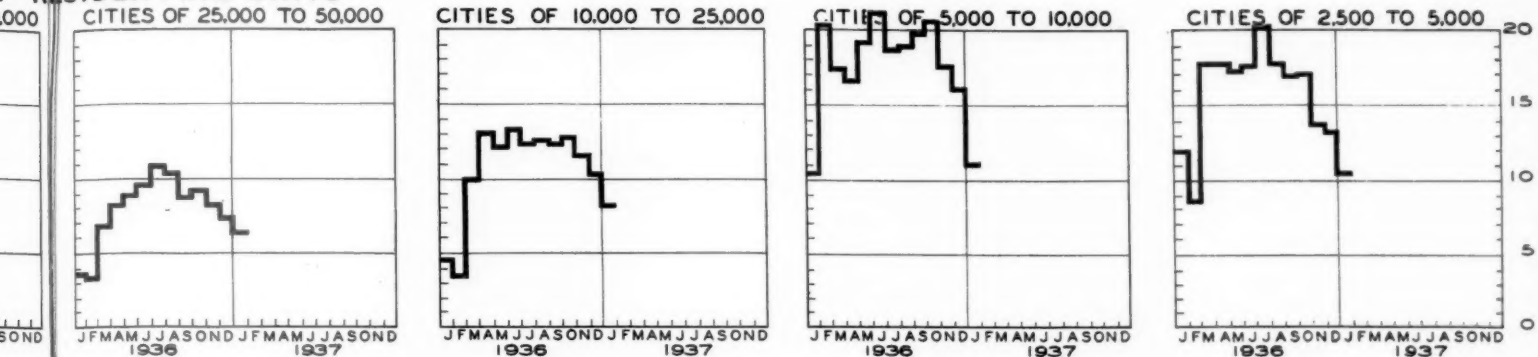
NUMBER OF NEW FAMILY ACCOMMODATIONS BUILT PER MONTH PER 10000 FAMILIES



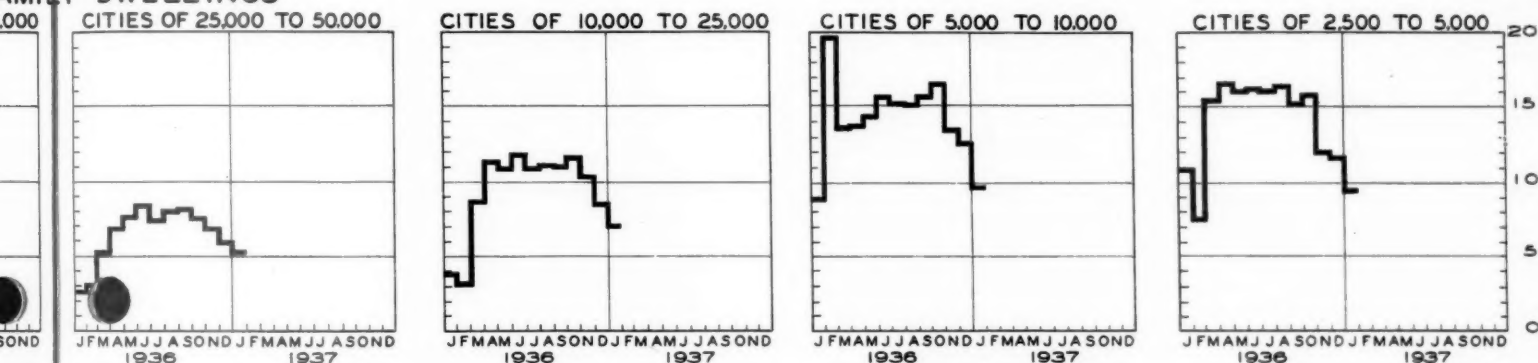
ENTIAL BUILDING TY AND BY TYPE OF STRUCTURE

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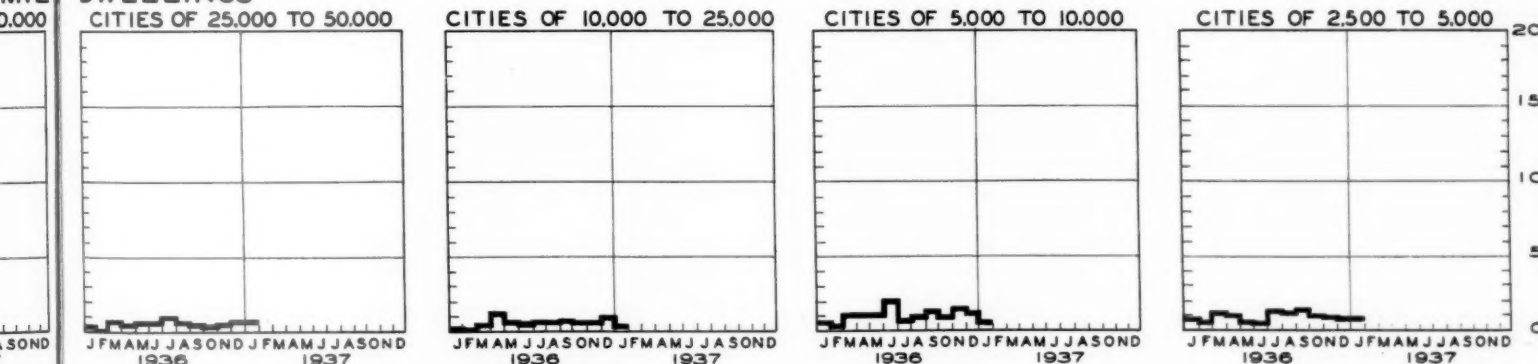
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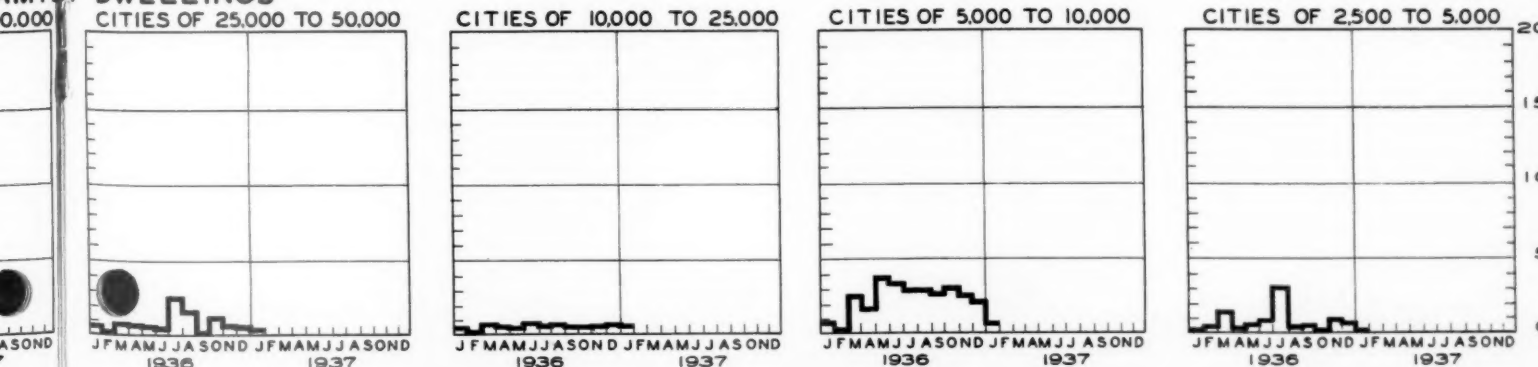
FAMILY DWELLINGS



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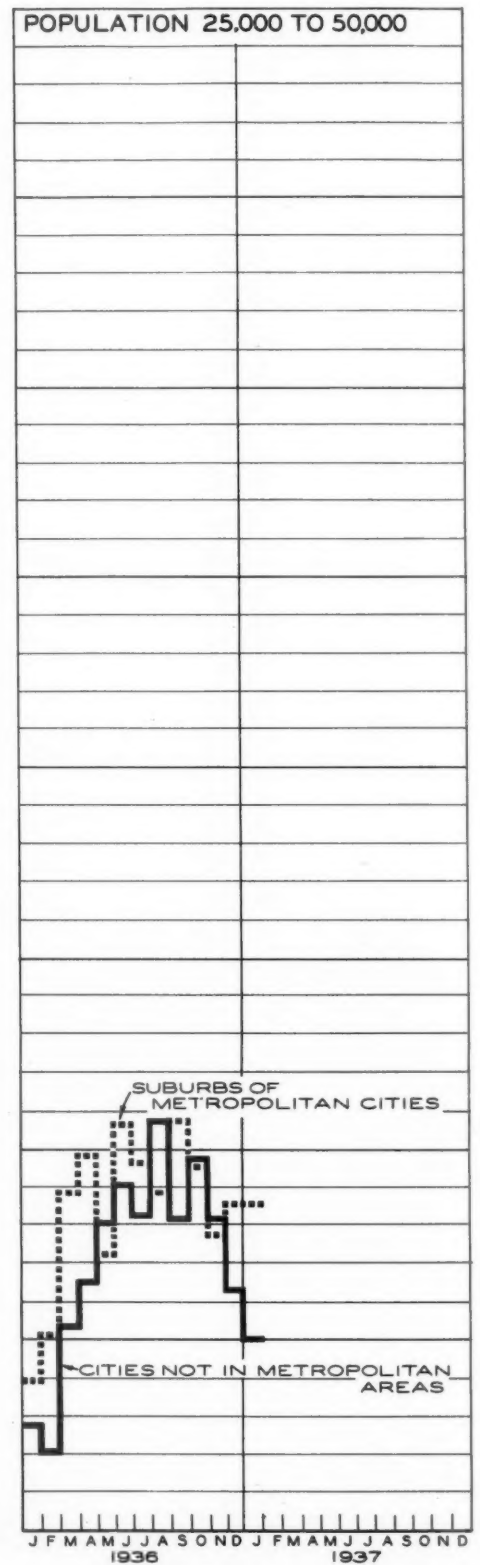
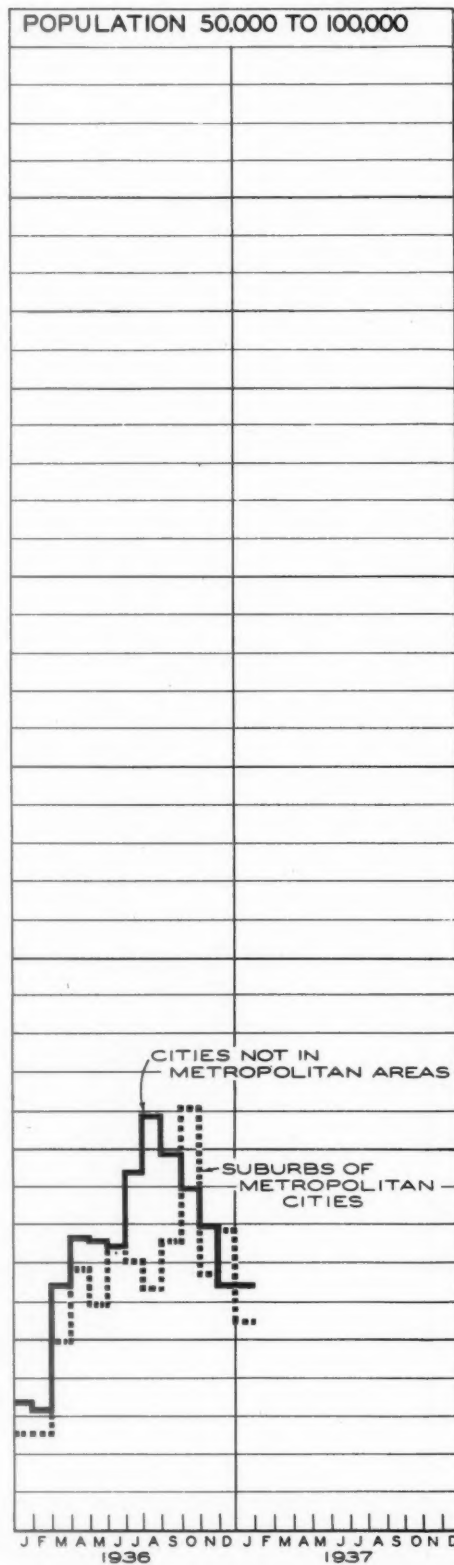
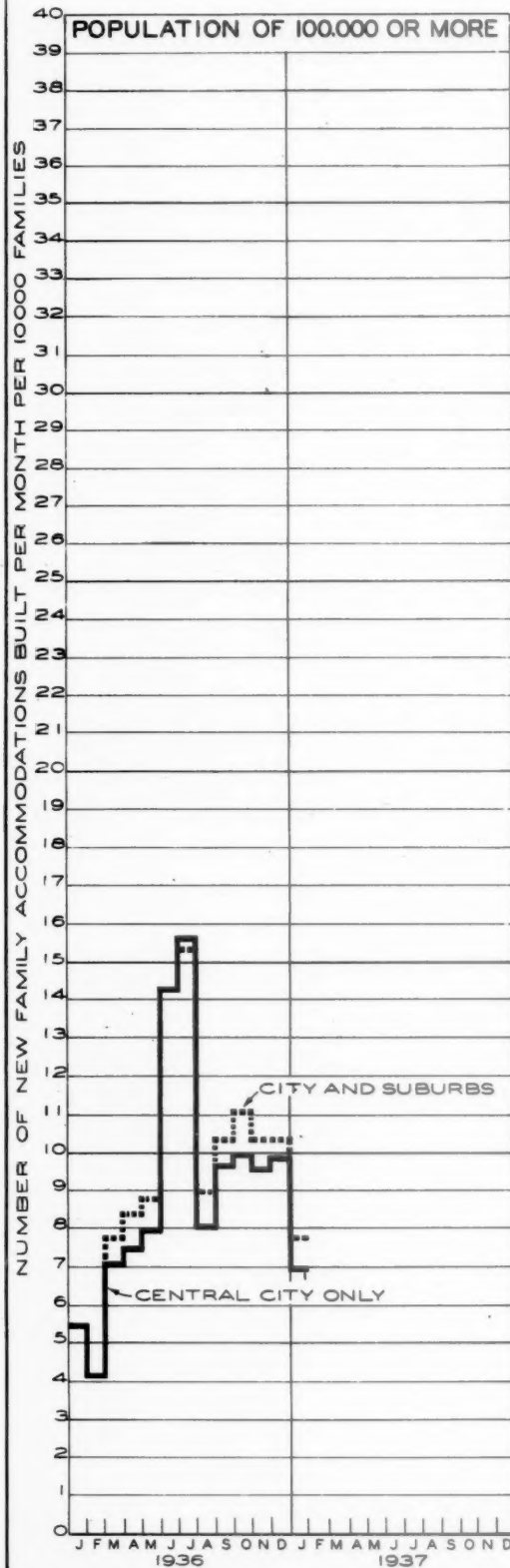


FAMILY DWELLINGS



NEW RESIDENTIAL CLASSIFIED BY SIZE OF CITY

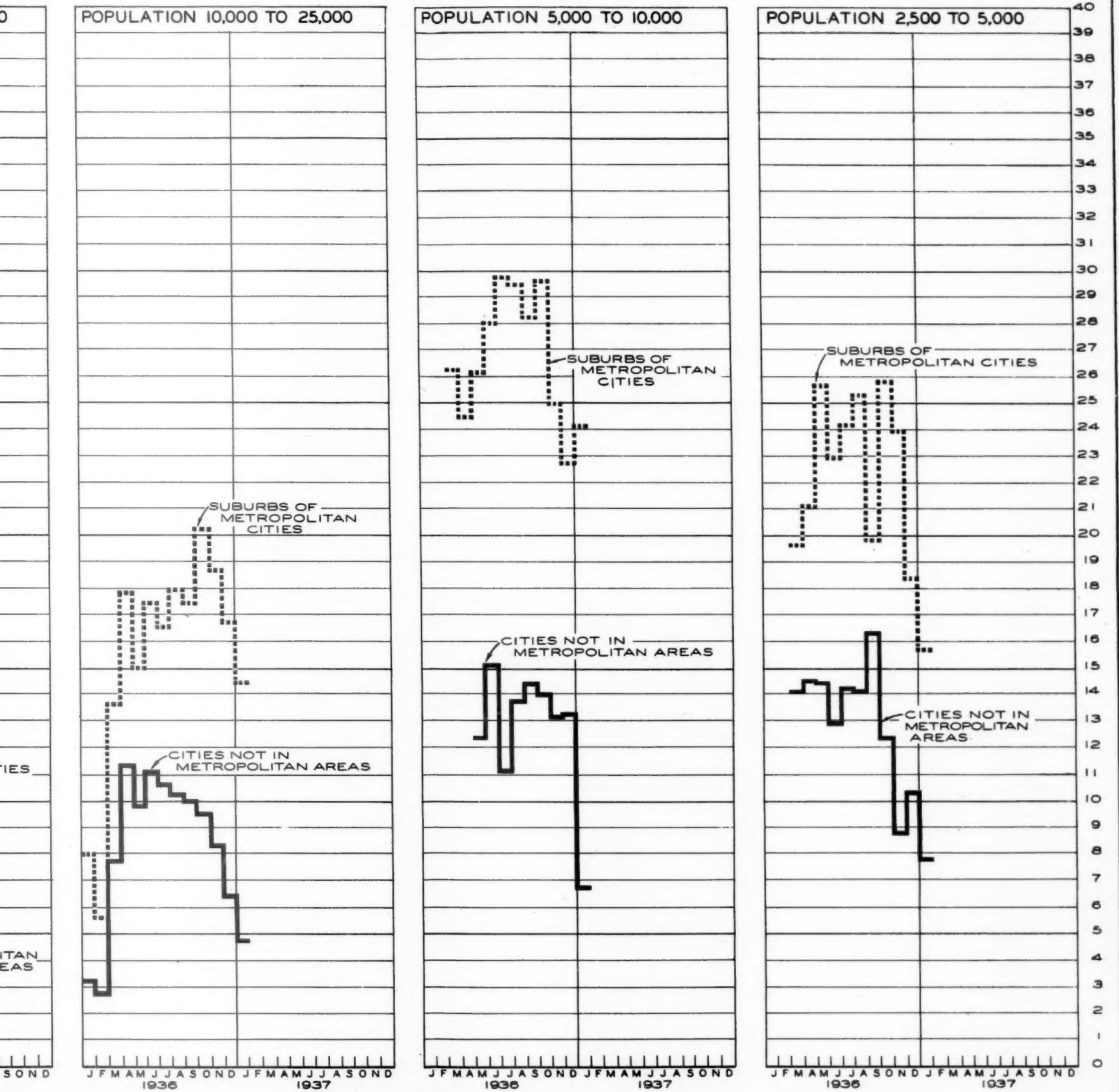
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ENTIAL BUILDING OF CITY AND BY TYPE OF CITY

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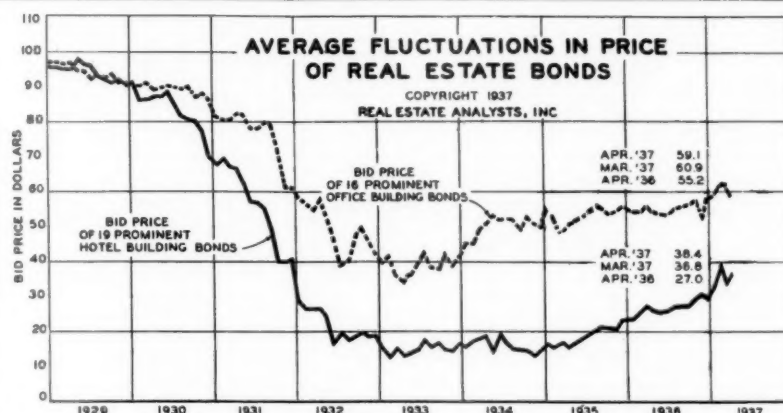
areas are building at a more rapid rate than all cities removed from metropolitan influence, with the exception of cities with less than 10,000 population, which built last year at a slightly higher rate than that of the metropolitan areas; Third, apparently all metropolitan areas are growing at the edge and losing population in the older, more congested sections; Fourth, the unusual showing last year of cities of 10,000 population or less, removed from metropolitan influence, is probably due to the fact that during the last few years rural communities have prospered due to a greater parity in farm prices and due to government subsidies. We are inclined to think that, while farming will continue to improve during the next few years, the recovery of the cities will remove the relative advantage of the farm to the point that metropolitan areas will far outdistance the small towns in rate of building.

While studying the rate at which new building is being done, the chart at the bottom of page 710 is quite interesting. It shows the number of new family accommodations built per month from 1921 to the present in average metropolitan areas of 100,000 or more population. It will be noticed that the figures on this chart are at wide variance from the average figures for metropolitan areas shown on the chart on pages 714 and 715. The reason for this variation is that the charts on those pages are based on averages of all cities in that class, and that a relatively small number of communities such as Miami, Florida, and Washington, D. C., in which a tremendous amount of building is being done, has swelled the average until it is not typical of the greater majority of cities. On the other hand, on this chart the effect of these very high cities has been minimized as each point is based on the median rather than the mean, so that this curve will represent more nearly the course of building in the great majority of the cities as shown on the charts city by city which we published in January.

The study of new building by types of cities gives us a more accurate basis for estimating the amount of urban new residential building done in 1936. The table below shows the best estimate we have been able to prepare after taking into consideration all of the factors we can measure and stepping up each rate per 10,000 families, not to the actual population of cities in which permit figures are available but, to the total population of all cities of each class. No one knows the total number of urban dwellings built in the United States last year, but this table gives us a rough estimate which should be approximately accurate.

PROBABLE NUMBER OF URBAN NEW FAMILY ACCOMMODATIONS
BUILT IN THE UNITED STATES IN 1936

Class of City	No. of Families	No. of New Accommodations	Rate Per 10,000 Families
Isolated cities 50,000-100,000	820,000	7,380	90
" " 25,000- 50,000	1,030,000	8,858	86
" " 10,000- 25,000	708,000	7,222	102
" " 5,000- 10,000))	140
" " 2,500- 5,000)1,414,000)20,000	142
Total isolated cities	3,972,000	43,460	109
Metropolitan areas	13,400,000	184,800	138
Total Urban	17,372,000	228,260	131



THE chart to the left shows the fluctuations in the bid prices of office building and hotel building bonds. While the long term trend of both lines is up, hotel bonds are advancing more rapidly than office building bonds as room rates can be raised without waiting for leases to expire.

DEMAND FOR AND PRICE OF BUILDING MATERIALS

THE best index showing the variations in the demand for building materials is one showing employment in the production of six major construction materials. These materials are structural steel, cast iron pipe, cement, mill work, steam fittings, and brick, tile and terra cotta.

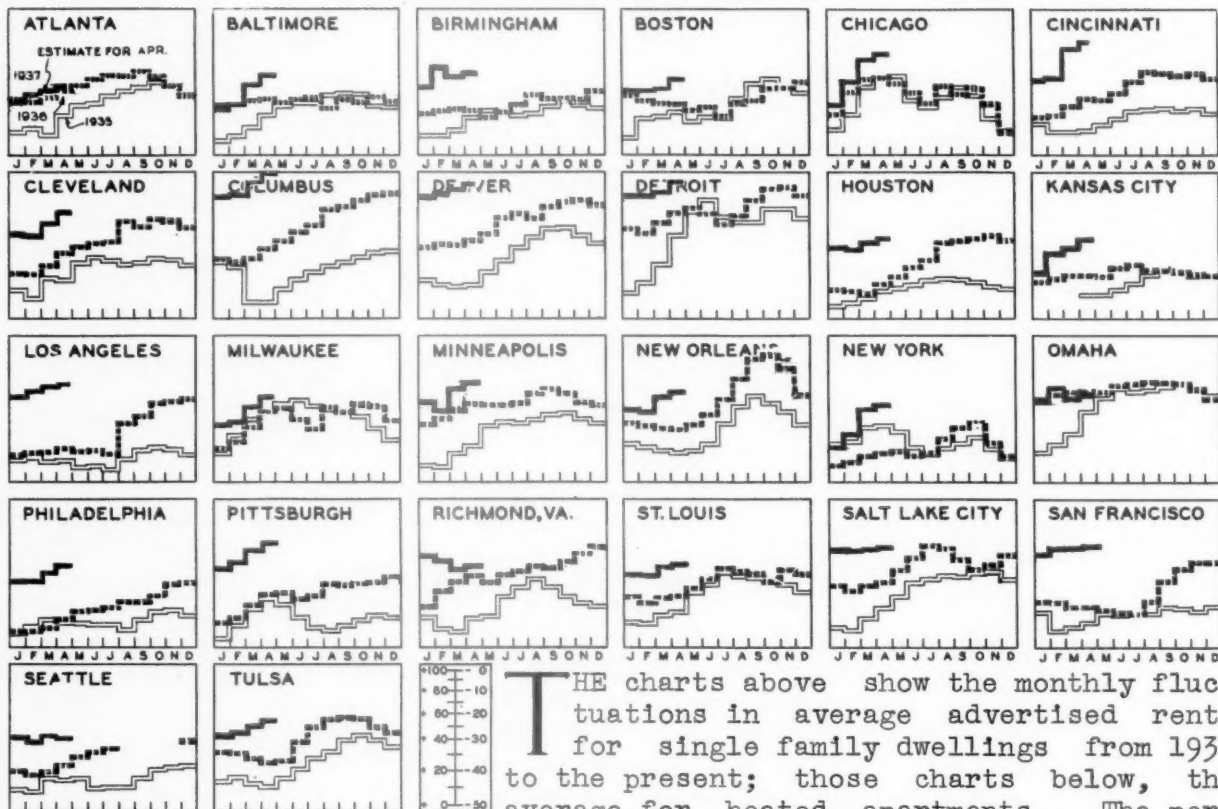
This chart was first published in the Real Estate Analyst in October, 1934, at the point indicated by the star on the chart. At that time, on page 323 we stated, "We expect this line to climb very slowly during the next year, after which it should rise more rapidly." It was inconceivable to us then that new building could get away to a rapid start. This line has developed closely in accord with our forecasts.

The rapid rises in the production of building materials in the recent past are largely responsible for the rapid increases in building material prices. Rapid price rises of manufactured commodities do not as a rule occur until production is in full swing, and it is no longer necessary to seriously underbid competitors in order to secure a basic operating volume. As the volume of production of building materials continues upward, prices will show further marked increases.



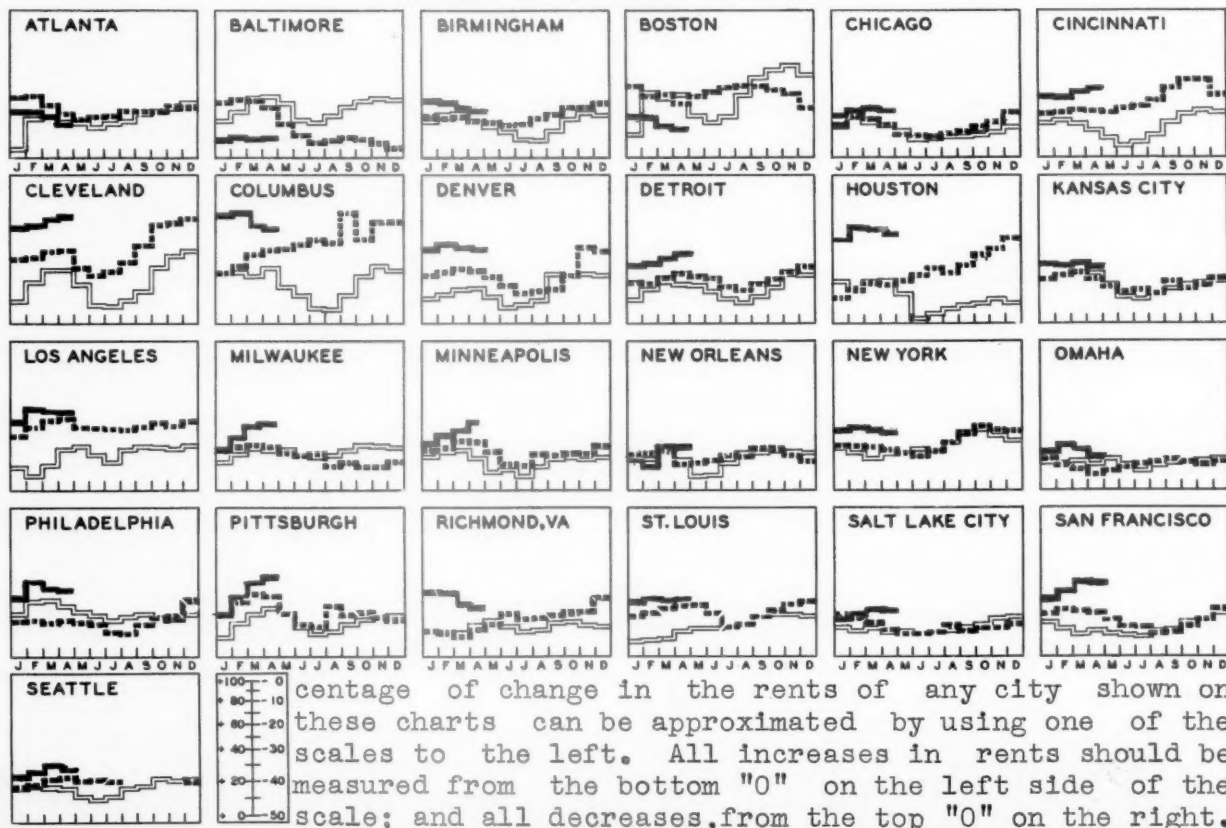
AVERAGE ADVERTISED SINGLE FAMILY DWELLING RENTS 1935-1937

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AVERAGE ADVERTISED APARTMENT RENTS 1935-1937

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ADVERTISED RENTALS ON DWELLING UNITS

THE Real Estate Analyst computes the average advertised rents of single family dwellings and heated apartment units each month in the twenty-six metropolitan cities listed below. The figures given are average rents per month per room for all units of each type, large and small, advertised in the classified columns of the leading newspapers of each city. The average of all places advertised for rent will vary considerably from month to month due to the inclusion some

months of a larger number of either high or low priced units. See the special note on page 663 of the January, 1937, Real Estate Analyst for an explanation of certain peculiarities of these figures.

The April figures are preliminary, based on the advertisements appearing during the first two weeks of the month. In a majority of the cities these preliminary figures are above the final figures for April, 1936.

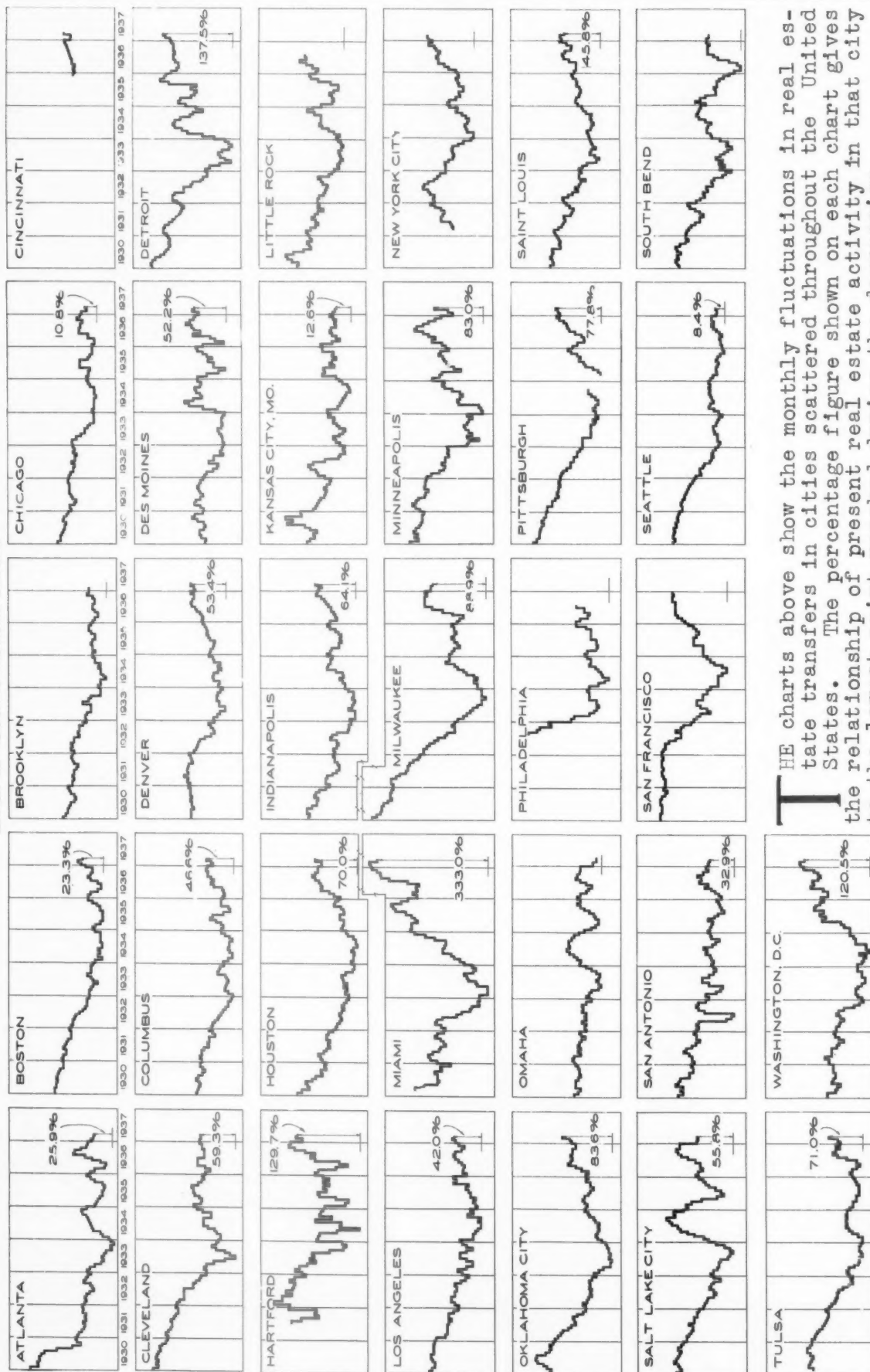
	1936												1937	
	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	*Apr.	
SINGLE FAMILY DWELLINGS	Atlanta	\$6.97	\$7.15	\$7.39	\$7.51	\$7.50	\$7.65	\$7.43	\$7.10	\$6.75	\$6.64	\$6.90	\$7.02	\$7.19
	Baltimore	5.97	5.89	5.99	6.02	5.71	5.94	5.93	6.05	5.95	5.80	5.84	6.22	6.70
	Birmingham	5.03	4.87	5.00	5.18	5.43	5.33	5.30	5.29	5.56	5.64	6.13	5.93	6.04
	Boston	7.15	6.93	7.04	6.72	7.16	7.24	7.71	7.74	7.70	7.26	7.33	7.40	7.75
	Chicago	10.37	10.11	9.63	9.12	9.96	9.60	9.80	9.10	7.86	9.06	10.12	11.24	11.60
	Cincinnati	8.68	8.65	8.93	9.48	9.93	9.90	9.81	9.83	9.50	9.48	9.61	10.28	10.63
	Cleveland	8.40	8.67	8.83	8.86	9.84	9.55	9.95	9.73	9.40	9.06	8.95	9.33	9.77
	Columbus	5.71	5.95	6.23	6.42	6.98	7.03	7.35	7.53	7.53	7.49	7.47	7.73	7.95
	Denver	5.96	6.17	6.67	6.80	6.65	7.05	7.18	7.26	7.14	7.36	7.38	7.65	7.70
	Detroit	8.56	8.79	8.51	8.09	8.43	9.11	9.66	9.69	9.25	9.11	9.20	9.60	10.02
	Houston	7.20	7.47	7.81	8.09	8.86	8.90	9.05	9.15	8.75	8.65	8.56	8.87	8.98
	Kansas City	5.00	4.99	5.20	5.28	5.15	5.17	5.05	4.94	4.98	5.02	5.44	5.49	5.66
	Los Angeles	8.95	8.80	8.81	8.69	10.15	10.36	10.97	11.05	11.12	11.13	11.46	11.73	11.75
	Milwaukee	8.59	8.71	8.26	7.88	8.80	8.55	8.81	8.70	8.25	8.04	8.10	8.63	9.01
	Minneapolis	6.69	6.67	6.67	6.71	7.05	7.20	7.05	6.71	6.71	6.75	6.33	7.21	7.43
	New Orleans	5.25	5.38	5.66	6.11	6.75	7.41	7.53	7.05	6.11	5.58	5.60	6.10	6.35
	New York	11.69	11.71	11.40	11.61	12.50	13.23	13.42	12.12	11.52	11.97	12.74	14.07	14.43
	Omaha	6.38	6.36	6.57	6.62	6.69	6.66	6.65	6.32	6.04	5.98	6.40	6.09	6.21
	Philadelphia	5.79	6.01	6.03	6.11	6.30	6.30	6.44	6.88	6.99	6.92	6.77	7.03	7.30
	Pittsburgh	7.84	7.89	7.67	7.78	8.25	8.20	8.20	8.25	8.43	8.80	9.03	9.59	9.92
	Richmond	7.18	6.96	7.21	7.32	7.52	7.46	7.69	7.98	8.25	7.84	7.59	7.40	7.49
	Saint Louis	6.48	6.72	7.07	7.42	7.51	7.20	6.86	7.29	7.15	7.06	6.98	7.21	7.30
	Salt Lake City	5.58	5.91	6.30	6.70	6.60	6.26	5.97	6.11	6.38	6.52	6.48	6.55	6.62
	San Francisco	7.36	7.24	7.16	7.11	7.55	8.34	8.86	9.15	9.10	9.35	9.65	9.74	9.75
	Seattle	5.70	5.96	6.09	6.19	x	x	x	x	6.40	6.58	6.49	6.59	6.48
	Tulsa	6.42	6.48	7.11	7.67	7.97	8.00	7.96	7.64	7.41	7.35	7.43	7.65	7.81
HEATED APARTMENT UNITS	Atlanta	10.00	9.71	9.82	9.89	10.13	10.10	10.33	10.14	10.37	10.01	10.02	9.80	9.45
	Baltimore	11.65	10.74	10.09	9.79	9.88	9.94	9.75	9.63	9.56	9.94	10.01	9.97	9.95
	Birmingham	8.45	8.39	8.26	8.27	8.52	8.68	8.98	9.01	9.28	9.26	9.13	8.86	8.66
	Boston	11.13	11.59	11.80	12.05	12.20	12.18	11.97	11.08	10.38	9.73	9.59	9.29	9.21
	Chicago	11.86	11.25	11.23	11.14	11.32	11.47	11.66	12.08	12.28	12.58	12.80	12.86	12.60
	Cincinnati	11.45	11.40	11.57	11.71	12.01	12.81	13.30	13.32	12.43	12.20	12.12	12.50	12.60
	Cleveland	10.82	9.97	9.60	9.79	10.25	11.10	12.25	12.46	12.49	12.17	12.19	12.40	12.50
	Columbus	10.16	10.20	10.41	10.62	10.50	12.13	10.74	11.59	11.60	12.13	12.13	11.96	11.70
	Denver	11.16	10.76	10.31	9.94	10.02	10.92	10.86	12.59	12.40	12.43	12.55	12.42	12.40
	Detroit	10.93	10.79	10.65	10.27	10.05	10.32	10.68	11.08	11.28	11.32	11.45	11.80	11.84
	Houston	8.53	8.70	8.95	9.28	9.03	9.31	9.87	10.12	10.58	10.50	11.26	11.02	10.98
	Kansas City	6.86	6.61	6.48	6.51	6.40	6.79	6.58	6.76	6.99	7.33	7.40	7.40	7.26
	Los Angeles	12.82	12.33	12.32	12.28	12.21	12.36	12.51	12.42	12.52	12.79	13.41	13.27	13.18
	Milwaukee	9.95	9.64	9.51	9.60	9.02	9.15	8.97	8.96	9.22	9.65	10.10	10.60	10.79
	Minneapolis	9.57	9.13	8.58	8.50	9.00	8.95	9.04	8.95	9.31	9.22	9.58	9.72	10.09
	New Orleans	8.01	8.04	8.17	8.36	8.32	8.67	8.45	8.34	8.11	8.31	7.90	8.65	8.63
	New York	17.20	16.97	16.74	17.02	17.88	18.54	19.30	18.95	18.90	18.84	18.90	18.81	18.72
	Omaha	9.73	9.90	10.11	10.28	10.32	10.37	10.30	10.20	10.42	10.73	11.12	10.86	10.41
	Philadelphia	13.23	13.08	12.94	12.45	12.37	12.98	13.30	13.62	14.58	14.90	15.80	15.13	15.09
	Pittsburgh	10.82	9.93	9.42	9.29	10.28	9.80	9.95	9.65	9.72	9.90	10.80	11.52	11.91
	Richmond	9.75	10.01	10.53	10.29	10.31	10.41	10.52	10.60	11.21	11.50	11.50	10.83	10.60
	Saint Louis	10.37	10.38	9.95	9.26	9.34	9.69	10.04	10.33	10.47	10.29	10.28	9.90	10.14
	Salt Lake City	9.16	8.98	8.98	9.02	9.37	9.10	9.21	9.16	9.29	9.58	9.76	10.09	10.02
	San Francisco	11.83	11.41	11.02	11.01	10.67	10.73	10.96	11.42	12.17	12.63	13.05	13.62	13.60
	Seattle	10.60	10.50	10.56	10.46	x	x	x	x	10.32	10.65	10.79	10.82	10.52

*Preliminary

xNewspaper strike

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES 1930-1937

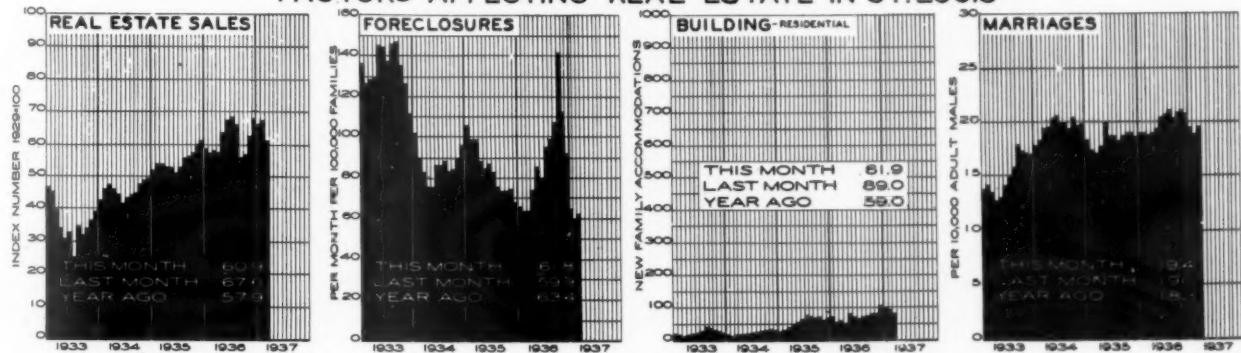
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NOTE: CURRENT FIGURES WERE NOT AVAILABLE FOR THIS ISSUE IN THE CITIES WHERE NO PERCENTAGE FIGURES ARE SHOWN

THE charts above show the monthly fluctuations in real estate transfers in cities scattered throughout the United States. The percentage figure shown on each chart gives the relationship of present real estate activity in that city to the lowest point reached during the depression.

FACTORS AFFECTING REAL ESTATE IN ST. LOUIS



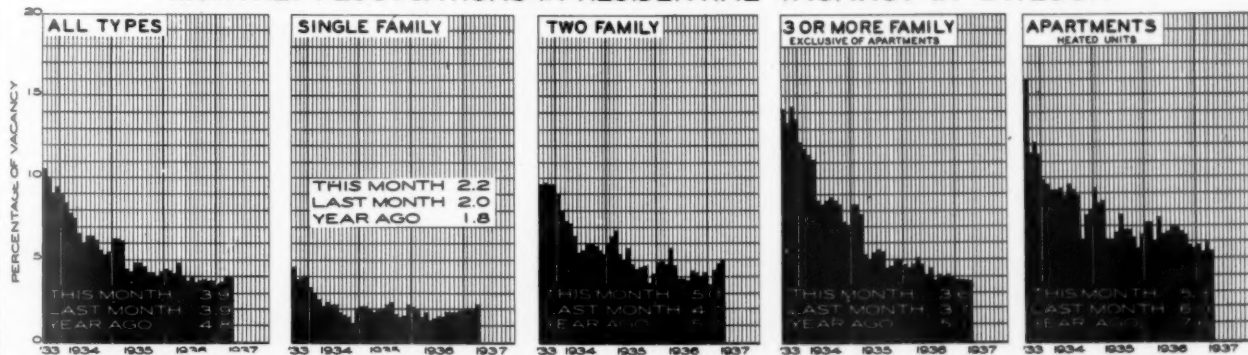
REAL Estate Analysts, Inc., has made an intensive study of Greater Saint Louis on the assumption that an exhaustive study over a long period of all factors affecting real estate in one representative community is often of greater value in determining the sequence of events in collapse and recovery than is a general study of the entire country.

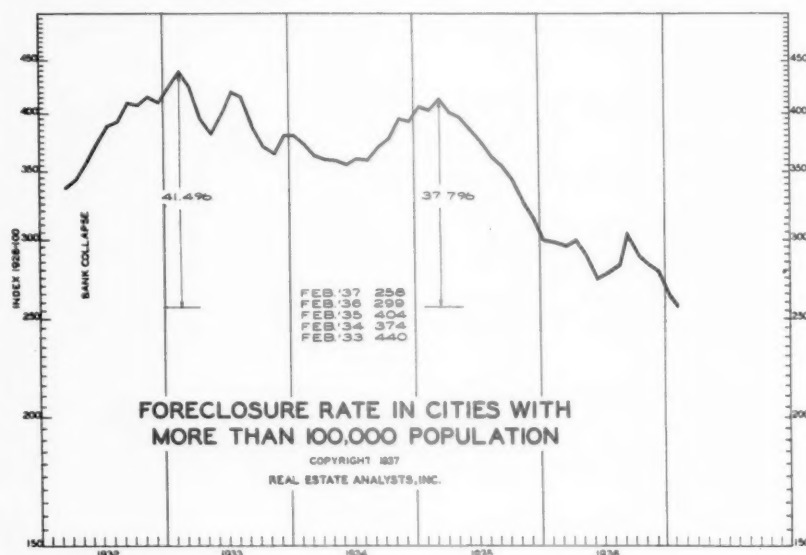
Real estate sales, after adjustment for seasonal fluctuations, continued the decline from the recovery peak of a few months ago. This decline, however, is merely a temporary recession as the trend is quite definitely up. Foreclosures increased very slightly from the recovery low of last month. We believe here, too, that the trend during the next year will be downward in spite of HOLC activity. New residential building also declined slightly from the levels of the last few months. This is undoubtedly due to the rapid cost advances. The marriage rate experienced a slight increase.

Total residential vacancy in Saint Louis showed practically no change in the period from March 8 to April 8. The number of vacant residential units for April of the last four years is shown in the table below in contrast with the number for November, 1932.

Date	Vacancies	Vacancy %
November, 1932	28,207	12.8
April, 1934	16,650	7.4
April, 1935	9,930	4.5
April, 1936	10,700	4.8
April, 1937	8,500	3.9

MONTHLY FLUCTUATIONS IN RESIDENTIAL VACANCY IN ST. LOUIS





THE chart to the left shows the monthly fluctuations in the foreclosure rate in cities with more than 100,000 population after adjustment for seasonal fluctuation.

The continuing decline of the curve on this chart, in spite of HOLC foreclosures, forms a graphic reply to the article which appeared in the January American Mercury on "The Coming Crash in

Real Estate." The thesis of this article was that HOLC, bank, and insurance foreclosures would swamp the market and bring about a general collapse.

RESIDENTIAL BUILDING BY REGIONS

THE charts below show the volume of residential building in various regions by months for the last three years. The tall chart at the right is drawn to the same scale as the smaller charts and compares the present volume of building in the United States with the volume for a number of past years. On each chart the volume of new building is expressed as the number of new family accommodations provided per month for each 10,000 families.

